

22<sup>nd</sup> June, 2009

### Issue Details

Offer Price band	275-325
Face Value	10
Shares Offered	92,65,275
Type	Fresh Issue & Offer for sale
Promoters	Mr. Keshub Mahindra Mr. Anand Mahindra
Listing (Stock Exchange)	NSE, BSE
Offer Open Date	23 June, 2009
Offer Close Date	26 June, 2009
Website: <a href="http://www.clubmahindra.com">www.clubmahindra.com</a>	

### Scrip Estimates

Market Cap (Rs Crores)	2315.5-2736.5
EPS - FY09	9.5
P/E(x) - FY09 (fully diluted)	28.9-34
Market Cap/Sales(x) FY09	6.6-6.9

### Share Holding Pattern

	Pre Offer	Post Offer
Promoters	93.6	83.1
ESOS Trust	1.7	1.6
State Bank of India	2.1	1.9
Employees and others	2.6	2.4
Public	-	11.0

### Financials (Rs Crores)

	FY07	FY08	FY09
Sales	232.3	352.7	393.2
EBITDA	70.3	119.5	103.1
EBIT	61.4	108.2	86.3
Other Income	9.0	24.4	48.9
PBT	67.1	129.6	128.4
PAT	42.5	84.0	79.8
Equity	28.4	76.4	77.0
EPS (Rs)	81.8	46.2	10.4

Investors should read the risk factors and more detailed information in the Prospectus and the application form before investing in the issue.

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**Mahindra Holidays & Resorts India (MHRIL)**, part of Mahindra Group is one of the leading leisure hospitality providers in India offering quality family holidays designed to meet the diverse holiday needs and interests of a family.

**Enjoys prestigious parentage and brand recognition:** MHRIL belongs to Mahindra group of companies, which is one of the leading business groups in India. MHRIL's flagship brand is Club Mahindra Holidays has been selected as Superbrand 2009.

**Increase in number of members:** The cumulative member base increased to 92,825 in FY09 from 38,691 in FY06. As of May 31, 2009, MHRIL has 96,067 members and 27 resorts across India and Thailand. About 35.18% of new member additions in FY09 came from referrals by existing members. The membership enrolments have increased at a CAGR of 32% over the last three fiscal years. Over the same period, the average sales price for a Club Mahindra membership also increased at a CAGR of 13.18%.

**Diversification into new offerings and various segments:** Apart from Club Mahindra, MHRIL has also introduced new vacation ownership offerings for various segments such as Zest and Club Mahindra Fundays, Mahindra Homestays, travel and holiday related services through clubmahindra.travel. Club Mahindra Fundays caters to corporate segment, Zest is targeted at young urban consumers; Mahindra Homestays is currently targeted at travelers from United Kingdom and India.

**Growing numbers of resorts and wide distribution:** Currently, MHRIL has total of 27 resorts across India and Thailand, of which owned are 11 properties. There are 19 branch offices, 45 direct and 16 franchisee retail sales outlets. In addition, as of May 31, 2009, they have 149 direct-to-home franchised operations, six on-site sales operations at our resorts, a service office in Dubai and a franchisee in Kuwait.

**Financials not very encouraging:** Sales grew 11.5% to Rs 393.19 crores in FY09 as against more than 50% growth in earlier years. Net profit dipped 5% to Rs 79.8 crores as against ~100% growth in the earlier years. The new member addition has also seen a dip in FY09 due to economic slowdown. The Company is virtually debt free which does give some sort of comfort.

**High growth story, but valuations stretched:** The tourism industry that experienced a slowdown due to economic recession is beginning to see some signs of recovery from April onwards according to tourism ministry figures. Nonetheless, the fact remains that the hotel and tourism sector in India is set for a significant growth, driven by increased business and tourism, supported by changing demographics, recovery in economic and increasing disposable incomes. This augurs well for the Company. At the upper end of the price band of Rs 325, the stock is available at PE of 34x and at the lower end; it is available at PE of 29x (on fully diluted equity of Rs 84.2 crores). The valuations seem to be expensive. Investors are advised to adopt wait-n-watch strategy and consider investments at better levels post listing.

## Company Background

Mahindra Holidays & Resorts India (MHRIL), part of Mahindra Group is one of the leading leisure hospitality providers in India offering quality family holidays designed to meet the diverse holiday needs and interests of a family.

### Issue Purpose

The proceeds from MHRIL's proposed issue are expected to be deployed in setting up of new projects and expansion of some of the existing resorts, to provide a larger range of resorts, and hence a wider choice of holiday destinations to members.

It intends to expand the existing resorts at Coorg, Ashtamudi, renovate its new resort at Ooty and construct a new resort at Tungi (Maharashtra) and Theog (Himachal Pradesh).

### Business Model

MHRIL charges fees which include a membership fee that is paid at or around the time of enrolment as a member (depending upon the payment plan selected by the member) as well as an annual subscription fee which is payable annually throughout the membership period for the annual servicing and the maintenance of the resorts. The member also pays for use of various facilities and services at the resort, including food and beverages, spa facilities and services and certain holiday activities.

**Membership plan evaluated by third part agencies:** Its membership plans is evaluated by third party agencies, Karvy Investor Services Ltd. and KPMG Advisory Services Ltd., who have estimated the payback period for the purchase of a Club Mahindra membership to range between five to seven years, and seven to eight years, respectively.

Club Mahindra Holidays is the flagship service offering. MHRIL has also diversified its portfolio by introducing new vacation ownership offerings, Zest and Club Mahindra Fundays, Mahindra Homestays and travel and holiday related services through clubmahindra.travel.

#### ▪ Club Mahindra Holidays

Its flagship service offering, Club Mahindra Holidays was launched in 1997. Club Mahindra Holidays is targeted at the Indian family. As of May 31, 2009, MHRIL has sold 91,997 Club Mahindra Holiday vacation ownership memberships.

Club Mahindra Holidays, currently entitles its members to stay and holiday at any of the 23 resorts, for seven days each year, in a season of their choice, for 25 years. Club Mahindra members enrolled prior to January 2002 were entitled to vacation for 33 years and as of May 31, 2009, MHRIL has 11,002 such members. In addition, its members can choose to access a range of RCI resorts globally.

#### Resorts under Club Mahindra Holidays

Club Mahindra Holiday resorts include 23 resorts, of which owned resorts are located at Munnar, Coorg, Goa, Binsar (two resorts), Manali, Kumbalgarh, Ooty, Thekaddy and Ashtamudi.

For each resort destination, the year is divided into four seasons: Purple, Red, White and Blue, based on demand for such resort during the year. The season classification may vary from year to year for any resort, and varies from resort to resort.

- **Zest**

Zest is a new offering, introduced in November 2006, and targeted at young urban families and based on the concept of short breaks. The Zest member is entitled to six days of holidays every year within the allotted season at any Zest resort, for a membership period of 10 years. These resorts are located within drive-to distances. As of May 31, 2009, MHRIL has sold 4,070 Zest vacation ownership memberships.

Resorts under are located at Puducherry, Ooty, Masinagudi, Yercaud and Kodaikanal.

The entire calendar year has been divided into three seasons: Verve, Buzz and Pep. The season classification can vary from year to year and from resort to resort.

- **Club Mahindra Fundays**

Club Mahindra Fundays is a service offering introduced in October 2006, targeted at corporate customers. Club Mahindra Fundays is based on a points system, where different season-apartment combinations are valued at points per day, as specified from time to time. A corporate customer purchases a specific number of points that are credited to their account every year for the 10 year term of membership. A corporate member may offer family holidays to their employees. This system is flexible to use and suitable for corporate members' constantly changing requirements. As of May 31, 2009, MHRIL has sold 20,16,018 Club Mahindra Funday points.

**Resorts under Club Mahindra Fundays**

Club Mahindra Fundays resorts include all Club Mahindra Holiday resorts and Zest resorts.

Club Mahindra Fundays have the same holiday season classifications and apartment types as Club Mahindra Holidays and Zest for their respective resorts.

- **Homestays Business**

In July 2008, Mahindra Homestays was launched to market Indian Homestays to overseas travelers wishing to experience the real India by lodging with a host family in India. In April 2009, Mahindra Homestays began promoting homestays to Indian customers. A homestay is accommodation provided in a private home, with no more than eight rooms available for guests, run by the homeowner. Mahindra Homestays has established a pan-India network of homes in cities and tourist destinations that combine the comfort of a boutique hotel with the personal hospitality, informality and local knowledge enjoyed when staying with a local family.

Mahindra Homestays was launched with approximately 26 homestays spread across Rajasthan in the west, which is known for its palaces, forts and traditional dress and lifestyle; Delhi, the capital of India known for its historical monuments; and Kerala in the south, which is known for its backwaters and hill stations. As of May 31, 2009, MHRIL has approximately 71 homestays affiliated with Mahindra Homestays spread throughout the following territories: Kerala, Rajasthan, Tamilnadu, Sikkim, Himachal Pradesh, Delhi, Karnataka and Goa. The Company plans to work with various state governments to assist in promoting the homestays concept. For example, Mahindra Homestays has entered into an MOU with the government of Kerala in September 2008.

- **Travel Business**

With the launch of the [www.clubmahindra.travel](http://www.clubmahindra.travel), MHRIL are among the few .travel (dot travel) websites. Clubmahindra.travel was certified by IATA in June 2008 and became a TAAI member in May 2009. This service offering is targeted primarily at members to provide a one-stop shop for all travel-related services which includes holiday planning, ticketing and other related services. It has a dedicated call centre and strategic alliances with key partners, such as Thailand Pathfinders Travel Pvt. Ltd., Akqua Sun Holidays India Pvt. Ltd., ICICI Lombard General Insurance.

**Resorts**

Location	Number of Apartments or Cottages	Owned/Leased (long term)
Ashtamudi, Kerala	26	Owned
Goa, Goa	205	Owned
Binsar, Uttaranchal	36	Owned
Coorg, Karnataka	188	Owned
Manali, Himachal Pradesh	33	Owned
Munnar, Kerala	112	Owned
Kumbalgarh, Rajasthan	68	Owned
Puducherry, Puducherry	125	Owned
Manipur Villa, Binsar, Uttaranchal	22	Owned
Ooty, Tamil Nadu**	90**	Owned
Thekaddy, Kerala	32	Owned
Auli, Himachal Pradesh	10	Leased
Bangkok, Thailand	6	Leased
Corbett, Uttaranchal*	4	Leased
Dharamshala***, Himachal Pradesh	23	Leased
Kodaikanal, Tamil Nadu	11	Leased
Mussoorie, Uttaranchal	19	Leased
Pattaya, Thailand	6	Leased
Ooty, Tamil Nadu	15	Leased
Masinagudi, Tamil Nadu (Casa Deep Wood Resorts)	20	Leased
Yercaud	40	Leased
Naukutchiataal	31	Leased
Shimla	67	Leased

**Short Term Leased Resorts**

Location	Number of Apartments or Cottages
Poovar, Kerala	20
Panchgini, Maharashtra	20
Mahabaleshwar, Maharashtra	10
Kodai Hill Country, Tamil Nadu	16
Corbett, Uttaranchal	6

**Resorts owned**

Location	Area (in lakh square feet)	Date of Purchase
Timber Trail, Manali	3.8	November 20, 2006
Munnar	2.3	Scheme effective from April 1, 1998
Coorg, Kodagu Valley	0.8	May 3, 2005
Binsar*	11.4	December 10, 2002
Manipur Villa, Binsar*	1.3	December 2, 2002
Goa	1.0	November 7, 2000
Ashtamudi	0.8	November 6, 2000
Puducherry	6.3	February 13, 1997
Kumbalgarh	3.0	August 27, 2006
Ooty, Tamil Nadu	1.0	November 23, 2005 and March 28, 2007
Thekaddy, Kerala	1.4	July 7, 2006

\* Company has leased an area of 0.4 lakh sq. ft for a period of 99 years since November 6, 2000, which connects the said resorts.

## Financials

(YE March 31) Rs crores	FY07	FY08	FY09
<b>Net Sales</b>	232.3	352.7	393.2
<b>EBIDTA</b>	70.3	119.5	103.1
<b>EBIT</b>	61.4	108.2	86.3
<b>PBT</b>	67.1	129.6	128.4
<b>PAT</b>	42.5	84.0	79.8
<b>Equity Paid Up</b>	28.4	76.4	77.0
<b>EPS (Rs)</b>	81.8	46.2	10.4
<b>EBIDTA (%)</b>	30.3	33.9	26.2
<b>Capital Employed</b>	271.8	476.6	587.1
<b>Gross Block</b>	225.7	273.4	429.3
<b>Networth</b>	75.7	143.0	195.8
<b>Dividend (%)</b>	30.0	30.0	30.0*
<b>Payout (%)</b>	23.9	19.4	34.4
<b>Debt: Equity (times)</b>	0.07	0.14	0.13
<b>ROCE (%)</b>	23.1	22.7	14.7
<b>RONW (%)</b>	56.1	58.7	40.7

\* proposed dividend

Sales grew 11.5% to Rs 393.19 crores in FY09 as against more than 50% growth in earlier years. Net profit dipped 5% to Rs 79.8 crores as against -100% growth in the earlier years. The new member addition has also seen a dip in FY09 due to economic slowdown. The Company is virtually debt free which does give some sort of comfort.

## Key Concerns

With 1,261 apartments/cottages, it can serve 63,050 (1261x50 weeks) members if all its cottages are occupied. As of May 31, 2009, there are 96,067 members. Of these, about 63,000 members are eligible for vacation according to the management. The logic being that members who have chosen EMI payment (94% of the new members) would be eligible for vacation only 12-18 months from the date of membership. This means there is not enough capacity to properly service all its members. This may lead to members being dissatisfied. Currently, there are 105 consumer cases pending against the company.



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